SC177810

SLC Turnberry Limited

Report and Financial Statements

31 December 2009

Directors

Tony Charles Sole	(resigned 1 February 2010)
Abdul Wahid Al Ulama	(resigned 1 February 2010)
Mark Bennett Troy	(appointed 1 February 2010)
Hamza Ali Abdullatif Mustafa	(appointed 1 February 2010)

Secretary

Tony Charles Sole	(resigned 1 February 2010)
Mark Bennett Troy	(appointed 1 February 2010)

Auditors

Ernst & Young LLP
George House
50 George Square
Glasgow G2 1RR

Bankers

Bank of Scotland
17 Dalrymple Street
Girvan
Ayrshire KA26 9EU

Registered Office

Turnberry Hotel
Ayrshire KA26 9LT

Solicitors

Maclay, Murray & Spens LLP
151 St Vincent Street
Glasgow G2 5NJ

Directors' report

The directors present their report and financial statements for the year ended 31 December 2009.

Results and dividends

The loss for the year, after taxation, amounted to £46,120,000 (2008 – loss of £11,167,000). The directors do not recommend the payment of any dividends (2008 – £nil).

Principal activities and review of the business

The company's principal activity during the year continued to be that of the operation of the Turnberry Resort and associated leisure facilities.

On 31 October 2008 the ownership changed from Starwood to Leisurecorp Scotland Limited, with Starwood continuing as the operator for The Turnberry Resort. The resort was closed for refurbishment from 1 November 2008 to change the brand from Westin to Luxury Collection and re-opened for business in July 2009.

The company's key financial and other performance indicators during the year were as follows:

	2009	*2008*
	£000	*£000*
Turnover	6,482	13,979
EBITDA	(7,232)	733
Loss after tax	(46,120)	(11,167)
Customer satisfaction (score out of 10)	8.38	7.99

The company's revenue decreased in 2009 primarily due to the closure of the hotel on 1 November 2008 for a major refurbishment and due to the decline in corporate/leisure travel globally for resort properties.

Customer satisfaction is a key performance indication to the company and all customer questionnaires are completed through an independent third party as part of Starwood, the operator program. Customer satisfaction has remained at a high level.

When there is an indicator that a non-financial asset might be impaired, the company follows the guidance of Financial Reporting Standard 11, which requires the company to determine the recoverable amount, which is the higher of the fair value less cost to sell and the value in use. There was no impairment recognised for the year ended 31 December 2008. Based on an impairment test performed as of 31 December 2009, the company recognised an impairment charge of £34,623,000 on tangible fixed assets.

Going Concern

The Company's principal activity and review of the business are set out in the Directors' report above. In addition, the principal risks and uncertainties are noted below.

The company had net current liabilities at 31 December 2009 and is dependent on continuing finance being made available by its parent company to enable it to continue operating and to meet its liabilities as they fall due. The directors have drawn up the financial statements on a going concern basis as Istithmar World PJSC, the intermediate parent undertaking has confirmed it will provide all necessary financial support to the company for the foreseeable future to enable it to continue trading and to meet its financial obligations as they fall due and for at least a period of 12 months from the date of signing of the financial statements.

Directors' report

Going Concern *(continued)*

The Directors, having assessed the responses of the Directors of the Istithmar World PJSC to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Istithmar World PJSC to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and of the enquiries made of the Directors of Istithmar World PJSC, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Principal risks and uncertainties

The company continues to look at risks and uncertainties during its budgeting process and monthly strategic meetings.

Competitive risks

The company operates at the upper end of the competitive Scottish resort market. Risks are possible from either new competitor openings, but in the main from existing competitors investing in product refurbishments and expansion and competitive price pressure as a result of economic decline.

The company and group have engaged in cost-reduction and expense control techniques and have focussed on re-development activities that are profitable which will increase the value of the property.

Economic risks

The company is reliant on healthy economies in all its major markets; being UK, USA and Europe. The recent economic upheaval, in particularly in the US, poses some risk to the high end market as individuals experience reduced disposable income and companies look for cost saving exercises.

As a result, the company and group have stalled their international expansion plans in the foreseeable future.

Exchange rate risks

A significant element of the company's revenues is dependent on non-UK based businesses. Adverse exchange rate fluctuations of major currencies (specifically Euro) are a potential risk to the company.

Management has set up policies to require the company and group to manage its foreign currency risk against its functional currency. The company and group is required to hedge its foreign currency exposure, wherever applicable. To manage its foreign currency risk arising from future commercial transactions and recognised assets and liabilities, company and group use forward contracts.

Liquidity risk

Liquidity risk is the risk that the company will have insufficient debt facilities to meet future obligations. The company aims to mitigate liquidity risk by managing cash generation by its operations. Further, the company regularly reviews its borrowing facilities to ensure funds are available to meet planned debt requirements plus a contingency.

Future developments

The first phase of the refurbishment of the hotel was completed in July 2009. The refurbishment has changed the resort from a Westin to Luxury collection. As a result of the investment and re-branding of the resort to a Luxury Collection, despite the adverse economic conditions, the directors remain optimistic that the company will deliver growth over future years.

Directors' report

Following the opening of the hotel in July 2009 the directors anticipate sales growth for 2010 driven as a result of the refurbishment and the resort hosting The Open Championship in July 2009 and the publicity this has generated.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees. The company is an equal opportunities employer.

The company recognises the high standards required to ensure the health, safety and welfare of its employees at work, its customers and the general public. Company policies in this regard are regularly reviewed with the objective of ensuring that these standards are achieved.

Employee involvement

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various matters affecting the performance of the company. This is achieved through formal and informal meetings.

Directors

The directors who served the company during the year are listed below:

Tony Charles Sole	(resigned 1 February 2010)
David Thomas Spencer	(resigned 14 May 2009)
Abdul Wahid Al Ulama	(appointed 27 January 2009; resigned 1 February 2010)
Alan John Rogers	(resigned 27 January 2009)
Mark Bennett Troy	(appointed 1 February 2010)
Hamza Ali Abdullatif Mustafa	(appointed 1 February 2010)

Statement as to disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to have made himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

Hamza Ali Abdullatif Mustafa
Director

09 December 2010

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We have audited the financial statements of SLC Turnberry Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Independent auditor's report

to the members of SLC Turnberry Limited

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Annie Graham (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Glasgow

Date 9 December 2010.

Profit and loss account

for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Turnover	2	6,482	13,979
Cost of sales		(7,774)	(8,631)
Gross (loss)/profit		(1,292)	5,348
Administrative expenses			
– Before exceptional items		(8,838)	(7,882)
– Tangible fixed assets write off	3	-	(7,010)
– Impairment of tangible fixed assets	3	(34,623)	-
		(43,461)	(14,892)
Operating loss	4	(44,753)	(9,544)
Interest receivable	7	-	51
Interest payable and similar charges	8	(2,174)	(1,760)
Other finance costs	9	(1)	-
Loss on ordinary activities before taxation		(46,928)	(11,253)
Tax credit on loss on ordinary activities	10	808	86
Loss for the financial year		(46,120)	(11,167)

The results have been derived wholly from continuing operations in both years.

Statement of total recognised gains and losses

for the year ended 31 December 2009

	2009 £000	2008 £000
Loss for the financial year	(46,120)	(11,167)
Actuarial loss recognised on the pension scheme	(227)	(831)
Total gains and losses for the financial year	(46,347)	(11,998)

Balance sheet
at 31 December 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Tangible assets	11	25,000	30,151
Investments	12	3,331	3,331
		28,331	33,482
Current assets			
Stocks	13	195	336
Debtors	14	1,545	1,442
Cash at bank and in hand		443	462
		2,183	2,240
Creditors: amounts falling due within one year	15	76,771	35,943
Net current liabilities		(74,588)	(33,703)
Total assets less current liabilities		(46,257)	(221)
Creditors: amounts falling due after more than one year	16	311	–
		(46,568)	(221)
Net pension position	17	–	–
		(46,568)	(221)
Capital and reserves			
Called up share capital	21	–	–
Capital reserve	22	18,374	18,374
Profit and loss account	22	(64,942)	(18,595)
Equity shareholders' funds	22	(46,568)	(221)

Approved by the Board

Director Hamza Ali Abdullatif Mustafa
9 December 2010

Balance sheet

at 31 December 2009

1. Accounting policies

Basis of preparation and change in accounting policy

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards. The Company does not prepare consolidated financial statements as it takes advantage of the exemption provided under section 228 of the companies Act 2006. The company's financial statements present information about it as an individual undertaking and not about its group.

In preparing the financial statements for the previous year, the company adopted the amendment to FRS 17 'Retirement Benefits'. The adoption has resulted in a change in accounting policy for the valuation of quoted securities included in plan assets. The fair values of these securities are now based on the current bid price, rather than the mid market value as previously used by the company. There was no material impact on the balance sheet, profit and loss account and statement of total recognised gains and losses. The amendment to FRS 17 also aligns the disclosures in the standard with those of the equivalent International Accounting Standard 19. These disclosures have been given in note 17.

Going concern

The company had net current liabilities at 31 December 2009 and is dependent on continuing finance being made available by its parent company to enable it to continue operating and to meet its liabilities as they fall due. The directors have drawn up the financial statements on a going concern basis as Istithmar World PJSC, the intermediate parent undertaking has confirmed it will provide all necessary financial support to the company for the foreseeable future to enable it to continue trading and to meet its financial obligations as they fall due and for at least a period of 12 months from the date of signing of the financial statements.

The Directors, having assessed the responses of the Directors of the Istithmar World PJSC to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Istithmar World PJSC to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and of the enquiries made of the Directors of Istithmar World PJSC, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold buildings	–	40 years
Fixtures, fittings and equipment	–	2 to 20 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Balance sheet

at 31 December 2009

1. Accounting policies *(continued)*

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over the shorter of lease term and their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term, even if the payments are not made on such a basis.

Notes to the financial statements

at 31 December 2009

1. Accounting policies *(continued)*

Pension schemes

For defined benefit schemes the amounts charged to operating profit are the current service costs and any gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are charged to operating profit immediately if the benefits have vested. If the benefits have not vested immediately, the costs are recognised by equal annual instalments until vesting occurs. The interest cost and the expected return on assets are included as other finance costs. Actuarial gains and losses net of deferred tax are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are either externally funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds, or are unfunded. Pension scheme assets are measured at fair value, and liabilities are measured on an actuarial basis and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Full actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Share-based payments

Equity settled transactions

The cost of equity settled transactions– restricted stock – with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using market values. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement with a corresponding entry in equity.

Cash settled transactions

The cost of cash settled transactions – stock options – with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the stock options become fully vested. Fair value is determined by using market values. As this entity does not have a specific liability to make a cash payment to its employees to settle the award, the expense at the balance sheet date is recognised in the income statement with a corresponding entry in equity.

Statement of cash flows

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a statement of cash flows in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

2. Turnover

Turnover comprises amounts derived from the provision of goods and services falling within the company's ordinary activities after deduction of value added tax, other sales related taxes and trade discounts. Turnover arises solely from the company's principal activity within the United Kingdom.

3. Exceptional items

Included in operating loss

	2009	*2008*
	£000	*£000*
Tangible fixed assets written off	-	7,010
Impairment of tangible assets	34,623	-

Notes to the financial statements

at 31 December 2009

3. Exceptional items *(continued)*

As a result of the refurbishment fixed assets with a book value of £nil (2008 – £7,010,000) were scrapped and written off in full in the prior year.

When there is an indicator that a non-financial asset might be impaired, the Company follows the guidance of Financial Reporting Standard 10, which requires the Company to determine the recoverable amount, which is the higher of the fair value less cost to sell and the value in use. There was no impairment of property and equipment recognised for the year ended 31 December 2008. Based on an impairment test performed as of 31 December 2009, the Company recognised an impairment charge of £34,623,000.

4. Operating loss

This is stated after charging/(crediting):

	2009	*2008*
	£000	*£000*
Auditors' remuneration – audit services	60	54
Depreciation of owned fixed assets	2,838	1,779
Impairment of building	34,623	7,010
Depreciation of assets held under finance leases and hire purchase contracts	60	22
Operating lease rentals – plant and machinery	142	75
Rental income	(6)	(6)

5. Directors' emoluments

	2009	*2008*
	£000	*£000*
Emoluments	–	178

	2009	*2008*
	No.	*No.*
Members of defined benefit pension schemes	–	–

There was no director's remuneration in the year.

6. Staff costs

	2009	*2008*
	£000	*£000*
Wages and salaries	5,584	5,944
Social security costs	428	526
Other pension costs	25	44
Share Based Payments	-	51
	6,037	6,565

Notes to the financial statements

at 31 December 2009

6. Staff costs *(continued)*

The monthly average number of employees during the year was made up as follows:

	2009	*2008*
	No.	*No.*
Operating employees	240	272
Administrative employees	28	33
	268	305

7. Interest receivable

	2009	*2008*
	£000	*£000*
Interest receivable	–	44
Foreign exchange gain on promissory note	–	7
	–	51

8. Interest payable and similar charges

	2009	*2008*
	£000	*£000*
On intercompany loans	2,161	1,721
On promissory note	–	35
Finance charges payable under finance leases and hire purchase contracts	13	4
	2,174	1,760

9. Other finance income/(costs)

	2009	*2008*
	£000	*£000*
Expected return on pension scheme assets	239	255
Interest on pension scheme liabilities	(240)	(255)
	(1)	–

Notes to the financial statements

at 31 December 2009

10. Tax

(a) Tax credit on loss on ordinary activities

	2009 £000	2008 £000
Current tax:		
Group relief receivable	(808)	–
Tax credit provided in previous year	–	(86)
Total current tax credit (note 10(b))	(808)	(86)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities is lower than the standard rate of corporation tax in the UK of 28% (2008 – 28.50 %). The differences are reconciled below:

	2009 £000	2008 £000
Loss on ordinary activities before taxation	(46,928)	(11,253)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 – 28.5 %)	(13,140)	(3,207)
Effects of:		
Expenses not deductible/(income not taxable) for tax purposes	5,345	1,132
Capital allowances in advance of depreciation	–	1,018
Pensions timing difference	–	–
Other timing differences	–	(709)
Group relief surrendered for payment	(808)	1,799
Tax under/(over) provided in previous years	–	(87)
Unrelieved tax losses carried forward	7,854	205
Pension provision	–	(237)
Adjustment to deferred tax in prior years	(59)	–
Total current tax credit (note 10(a))	(808)	(86)

(c) Deferred tax

Deferred tax is provided at 28% (2008 – 28%) in the financial statements as follows:

	2009 £000	2008 £000
Accelerated capital allowances	898	3,646
Other timing differences		
Trading losses	(898)	(3,646)
	–	–

Notes to the financial statements

at 31 December 2009

10. Tax *(continued)*

The company has further trading losses carried forward resulting in a deferred tax asset of £15.6m (2008 – £651,000). This is not recognised as there is no certainty of suitable taxable profits in the future against which the losses can be offset.

(d) Factors that might affect future tax charges

It was announced in the Budget of 22 June 2010 that the UK corporation tax rate will reduce by 1% per year from 1 April 2011 for four years, bringing the corporation tax rate down to 24% from 1 April 2014. There is also a proposed reduction in the main and special rates of capital allowances to 18% and 8% respectively for accounting periods ending after April 2012. These changes will affect the amount of future cash tax payments to be made by the company.

11. Tangible fixed assets

	Freehold land and buildings £000	*Fixtures, fittings and equipment £000*	*Construction in progress £000*	*Total £000*
Cost:				
At 1 January 2009	41,493	7,039	4,167	52,699
Additions	1,077	359	30,934	32,370
Transfers	32,625	2,476	(35,101)	-
At 31 December 2009	75,195	9,874	-	85,069
Depreciation:				
At 1 January 2009	17,612	4,936	–	22,548
Provided during the year	2,824	74	–	2,898
Impairment	31,798	2,825	–	34,623
At 31 December 2009	52,234	7,835	–	60,069
Net book value:				
At 31 December 2009	22,961	2,039	–	25,000
At 31 December 2008	23,881	2,103	4,167	30,151

At 31 December 2009 the net book value of tangible fixed assets held under finance leases and hire purchase contracts was £305,855 (2008 – £6,395). Depreciation charged for the year on these assets amounted to £60,369 (2008 – £21,605).

When there is an indicator that a non-financial asset might be impaired, the Company follows the guidance of Financial Reporting Standard 10, which requires the Company to determine the recoverable amount, which is the higher of the fair value less cost to sell and the value in use. There was no impairment of property and equipment recognised for the year ended 31 December 2008. Based on an impairment test performed as of 31 December 2009, the Company recognised an impairment charge of £34,623,000.

Notes to the financial statements

at 31 December 2009

12. Investments

	Subsidiary undertaking
	£000
Cost:	
At 1 January 2009 and 31 December 2009	3,331

The above investment represents the company's investment in the following subsidiary undertaking:

	Country of registration	*Principal activity*	*Description and proportion of share capital*
Nitto World Co. Limited	England	Non-trading	100% ordinary share capital

13. Stocks

	2009	*2008*
	£000	*£000*
Finished goods and consumables	195	336

The directors consider that there is no significant difference between the balance sheet value and the replacement cost of stocks at the balance sheet date.

14. Debtors: amounts falling due within one year

	2009	*2008*
	£000	*£000*
Trade debtors	328	542
Other debtors	1,052	767
Prepayments and accrued income	157	133
Amounts owed by other group undertakings	8	–
	1,545	1,442

Notes to the financial statements

at 31 December 2009

15. Creditors: amounts falling due within one year

	2009	*2008*
	£000	*£000*
Obligations under finance leases and hire purchase contracts (note 19)	–	8
Trade creditors	1,539	572
Other taxation and social security	–	199
Amounts owed to other group undertakings	74,969	33,974
Accruals and deferred income	263	1,190
	76,771	35,943

Amounts owed to other group undertakings includes a loan of £23,435,000 (2008 – £23,435,000) from Leisurecorp Scotland Limited. The loan is repayable on demand and attracts interest at 12 per cent per annum.

16. Creditors: amounts falling due after one year

	2009	*2008*
	£000	*£000*
Obligations under finance leases and hire purchases contract (note 19)	311	–
	311	–

17. Net pension position

The company provides pension arrangements for certain permanent employees through the Turnberry Hotel Pension Scheme.

On 31 March 2006, the scheme was closed to future accrual. The deficit in the scheme is being funded by contributions from the company.

The most recent actuarial valuation was as at 31 December 2008 and has been updated by a qualified actuary to take account of the requirements of FRS 17, in order to assess the liabilities of the scheme at 31 December 2009. Scheme assets are stated at their market value at the respective balance sheet dates.

The main assumptions are as follows:

	2009	*2008*
	%	*%*
Rate of increase in salaries	–	–
Rate of increase in pensions in payment	3.70	2.80
Rate of increase in deferred pensions	3.70	2.80
Discount rate	5.70	5.80
Inflation assumption	3.70	2.80

Notes to the financial statements

at 31 December 2009

17. Net pension position *(continued)*

	2009	*2008*
Expected rate of return of scheme assets:		
Equities	N/A	5.85
Bonds	5.60	4.80
Gilts	4.30	N/A
Cash	0.50	1.75
Life expectancy:		
Member age 65 (current life expectancy) – years	85	85
Member age 40 (current life expectancy) – years	86	86

The assets and liabilities of the scheme and the expected rate of return at 31 December are shown below. These are net of investment management expenses. As other expenses are paid separately by the Company, no account is taken of these.

	2009		*2008*	
	Long term rate of return expected %	*Value £000*	*Long term rate of return expected %*	*Value £000*
Scheme assets at fair value				
Equities/property	N/A	–	5.85	2,499
Bonds	5.60	1,365	4.80	2,529
Gilts	4.30	4,139	N/A	–
Cash	0.50	–	1.75	–
Fair value of scheme assets		5,504		5,028
Present value of scheme liabilities		(4,867)		(4,238)
Defined benefit pension scheme surplus		637		790

The pension surplus has not been recognised as the Company is not expected to be able to recover the surplus.

Notes to the financial statements

at 31 December 2009

17. Net pension position *(continued)*

An analysis of the defined benefit cost for the year ended 31 December is as follows:

	2009	*2008*
	£000	*£000*
Current service cost	–	–
Total operating charge	–	–
Other finance costs – expected return on pension scheme assets	239	255
Other finance costs – interest on pension scheme liabilities	(240)	(255)
Total other finance income	(1)	–

Included in the statement of total recognised gains and losses:

	2009	*2008*
	£000	*£000*
Actual return on scheme assets	455	(585)
Less: expected return on scheme assets	(239)	(255)
	216	(840)
Experience gains on scheme liabilities	62	9
Adjustment due to surplus cap	(637)	–
Loss arising from changes underlying the present value of the scheme liabilities	132	–
	(227)	(831)

Changes in the present value of the defined benefit obligations are analysed as follows:

	2009	*2008*
	£000	*£000*
As at 1 January	4,238	4,700
Interest cost	240	255
Actuarial (gain)/loss	596	(574)
Benefits paid from scheme	(207)	(143)
As at 31 December	4,867	4,238

Notes to the financial statements

at 31 December 2009

17. Net pension position *(continued)*

Changes in the fair value of plan assets are analysed as follows:

	2009	*2008*
	£000	*£000*
As at 1 January	5,028	4,925
Expected return on scheme assets	239	255
Actuarial gain/ (loss) on scheme assets	216	(840)
Employer contributions	228	831
Benefits paid from scheme	(207)	(143)
As at 31 December	5,504	5,028

	2009	*2008*	*2007*	*2006*	*2005*
	£000	*£000*	*£000*	*£000*	*£000*
Fair value of scheme assets	5,504	5,028	4,925	4,572	4,044
Present value of defined Benefit obligation	4867	4,238	4,700	4,743	4,735
Surplus in the scheme	637	790	225	(171)	(691)
Experience adjustments arising on plan liabilities	(216)	840	(32)	(154)	(455)
Difference between expected and annual return on scheme assets	(62)	(9)	77	(111)	(345)

18. Share-based payments

There were no share-based payments made in the current year.

During 2008, certain employees were granted stock options and restricted stock in the equity of the operator's ultimate parent undertaking, Starwood Hotels & Resorts Worldwide Inc. The number of stock options and restricted stock received depends upon grade level and performance. The employees will receive cash or equity (depending on the scheme) that is linked to the price of equity instruments of the parent undertaking. It is the parent undertaking that is obliged to make the payments to the employees.

The company recognised a charge for employee compensation expense of £NIL (2008 – £50,708) during the year. The awards are settled by Starwood, the operator's parent company and the employee compensation expense recharged to SLC Turnberry Limited over the vesting period for the accruals. At period end the company has no direct liability to settle the awards through cash or equity.

2004 Long-term incentive compensation plan

Stock options have a vesting schedule (typically 4 years at 25% per annum). The expiry date of stock options is 8-10 years after vesting. Stock options entitle the employee to a future cash payment which can be redeemed at any time between vesting and expiry. Market values are used to calculate the stock values at date of grant.

Restricted stocks generally vest after 3 years. There is no expiry period on restricted stocks. Restricted stocks are equity settled once the vesting period has expired. Market values are used to calculate the stock values at date of grant.

All stocks were traded in the USA and valued in US Dollars. An exchange rate of NIL was considered as at 31 December 2009 (1.447 for 2008) has been used to convert all values to Sterling.

Notes to the financial statements

at 31 December 2009

18. Share-based payments *(continued)*

2004 Long-term incentive compensation plan (continued)

The following table illustrates the number and weighted average exercise process (WAEP) and movements in stock options during the year.

	No.	*WAEP* £
Outstanding as at 1 January 2008	9,963	34.17
Granted during the year	1,754	37.39
Adjustments during the year	–	–
Exercised during the year	(1,628)	31.40
Outstanding as at 31 December 2008	10,089	34.84
Exercisable as at 31 December 2008	3,666	25.76

The weighted average share price at the date of exercise for the options exercised in 2009 is zero (2008 – £31.40).

The weighted average fair value per option for options granted during 2009 was zero (2008 – £11.91)

The fair value of the options granted is determined using a lattice valuation model. The following table lists the inputs to the model used for the year ending 31 December 2008.

	31 Dec 2008 %
Dividend yield	1.50
Volatility:	
– Near term	38
– Long term	36
Expected life	6 years
Yield curve:	
– 6 months	1.90
– 1 year	1.91
– 3 years	2.17
– 5 years	2.79
– 10 years	3.73

The dividend yield is based on historical data for the 12 month period immediately prior to the date of the grant.

Notes to the financial statements

at 31 December 2009

18. Share-based payments *(continued)*

2004 Long-term incentive compensation plan *(continued)*

The estimated volatility is based on a combination of historical share price volatility as well as implied volatility based on market analysis. The expected life represents the period that the parent company's (Starwood Hotels and Resorts Worldwide Inc) stock based awards are expected to be outstanding.

The yield is based on the implied zero coupon yield from US Treasury yield curve over the expected term of the option. For the share options outstanding as at 31 December 2009, the weighted average remaining contractual life is zero months (2008 – 13 months).

19. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	2009	2008
	£000	£000
Amounts payable:		
Within one year	–	9
In two to five years	311	–
	311	9
Less: finance charges allocated to future periods	–	(1)
	311	8

Finance leases and hire purchase contracts are analysed as follows:

	2009	2008
	£000	£000
Current obligations (note 15)	–	8
Non-current obligations (note 16)	311	–
	311	8

20. Commitments under operating leases

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as set out below:

	Assets other than land and buildings	
	2009	*2008*
	£000	*£000*
Operating leases which expire:		
Within one year	31	7
In two to five years	89	13
	120	20

Notes to the financial statements

at 31 December 2009

21. Issued share capital

	2009	*2009*	*2008*	*2008*
	No.	*£000*	*No.*	*£000*
Allotted, called up and fully paid				
Ordinary shares of £1 each	2	–	2	–

22. Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Capital redemption reserve*	*Profit and loss account*	*Total share-holders' funds*
	£000	*£000*	*£000*	*£000*
At 1 January 2008	–	18,374	(6,597)	11,777
Loss for the year	–	–	(11,167)	(11,167)
Actuarial loss recognised on pensions	–	–	(831)	(831)
At 31 December 2008	–	18,374	(18,595)	(221)
Loss for the year	–	–	(46,120)	(46,120)
Actuarial loss recognised on pensions	–	–	(227)	(227)
At 31 December 2009	–	18,374	(64,942)	(46,568)

23. Related party transactions

The company has utilised the exemption under FRS 8 as a wholly owned subsidiary not to disclose transactions with other entities that are part of, or investees of Leisurecorp LLC.

24. Ultimate parent undertaking

The immediate parent undertaking of the smallest such group is Leisurecorp Scotland Limited, a company registered in Scotland.

The ultimate parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Dubai World Corporation, a company incorporated in United Arab Emirates.

Copies of the financial statements of both companies can be obtained from Leisurecorp LLC, Jumeirah Golf Estates, Emirates Road, PO Box 262080, Dubai, United Arab Emirates.